

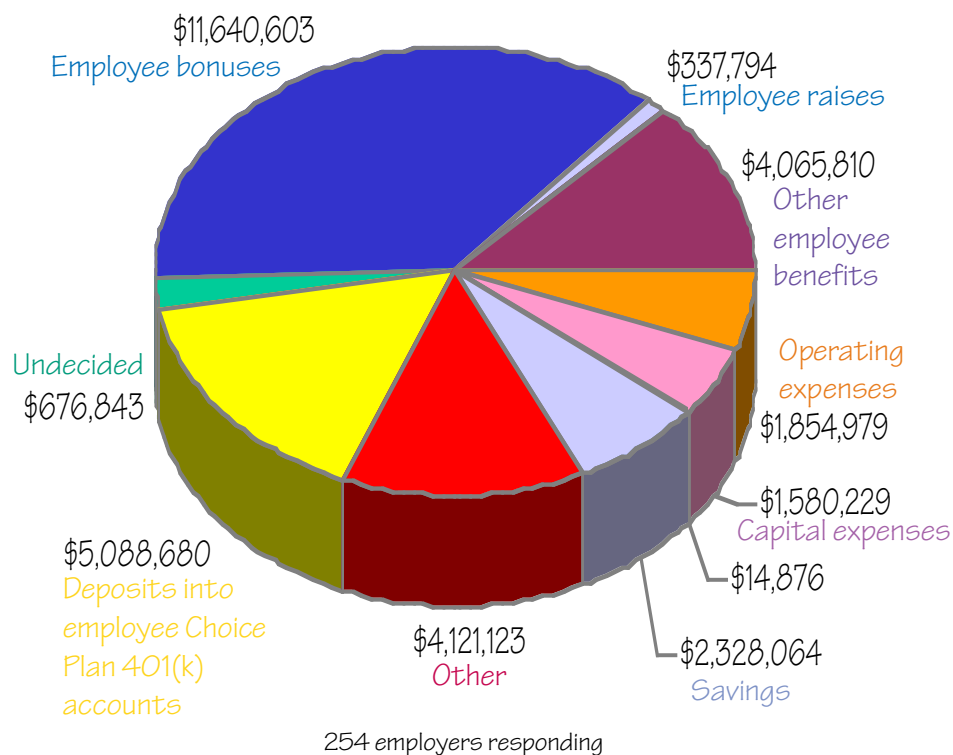
## PERSI employers spend gain sharing savings on bonuses, 401k contributions and more

PERSI recently conducted a survey of our 540 non-State agency employer members to determine how they utilized their savings from PERSI Gain Sharing. (One hundred of our employers are state agencies. They were directed to return 80% of their Gain Sharing to the State's general fund, and 20% was to be used for training.)

With 254 employers responding, the chart shows how the non-state Gain Sharing savings were spent.

If you have not yet responded to the survey, we would still appreciate hearing from you. Please contact Betsy Griffith at [bgriffit@persi.state.id.us](mailto:bgriffit@persi.state.id.us) or 800-451-8228 ext 297.

### How non-state employers spent their Gain Sharing savings



## Poor investment climate means no PERSI Gain Sharing in

### January 2002: Gain Sharing for 2001 was well timed, with payments of \$155 million

If you've followed the investment world lately, you've probably guessed that PERSI investments did not fare so well last year. The PERSI fund had investment returns of -6.08% for Fiscal Year 2001 (year ended June 30, 2001), which means there will be no PERSI Gain Sharing in 2002. Retirees will NOT receive a 13th Check in January, active members will NOT

receive a deposit into their Choice Plan accounts, and employers will NOT receive a PERSI credit.

We timed the first Gain Sharing payments perfectly. If Gain Sharing hadn't occurred last January, we might not have received any distributions until, at least, January 2003. As it was, PERSI employers, retirees and active

members received over \$155 million dollars in 2001.

Although our negative investment returns may sound disastrous to some, rest assured that your PERSI Base Plan benefits are secure and guaranteed, and all in all, PERSI's portfolio performed quite well last year compared to many investments.

# PERSI portfolio down, but outperforms markets

By Bob Maynard,  
Chief Investment Officer

After one of the best runs ever, the world equity markets had one of their worst years in history. US stock markets were down 15% for the fiscal year, their worst single fiscal year performance since 1970. International equity markets were down 26%, their worst fiscal year performance since 1974.

The PERSI fund was also down for the year, but ended the year only -6.08%. This is PERSI's worst annual performance since 1973 and 1974 (when PERSI's returns were -6.8% and -16.0%, respectively). The value of the fund as of June 30, 2001 was \$6,726,758,246, a decrease of \$512 million during the fiscal year. Before actuarial gains and losses, this puts our funding level at about 99%.

It could, and should, have been

worse. Given our basic asset allocation of 55% US equities, 15% international equities, and 30% fixed income, we should have expected to be down around -8.9%. Instead, our losses of 6.1% were almost 3% better than we should have expected, or about \$200 million "saved."

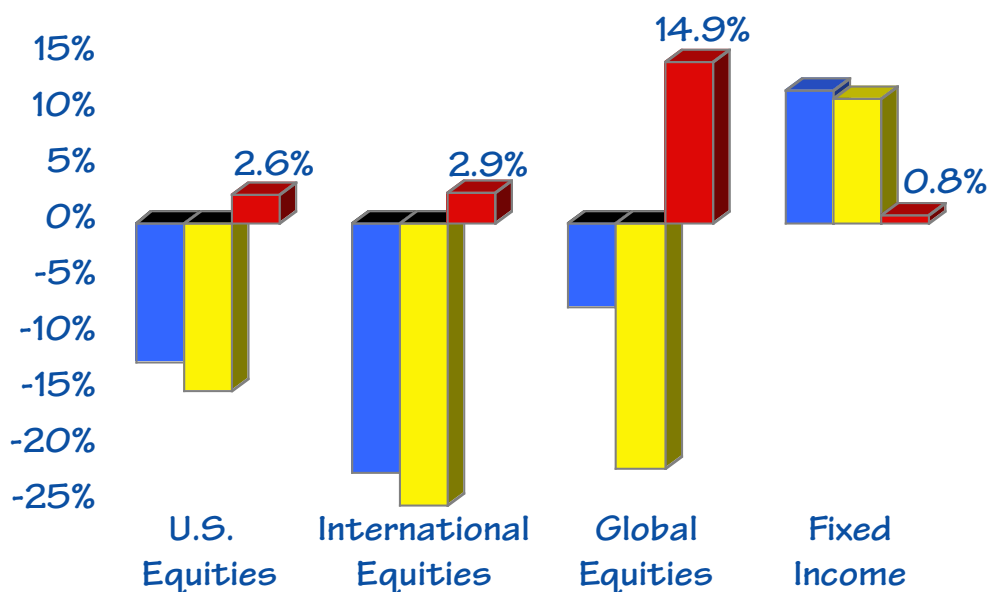
PERSI's US equities lost only 12.7%, compared to the general US stock market loss of 15.3% — an outperformance of 2.6%. Our international equities lost 22.9%, compared to the general international equity loss of 25.8% — an outperformance of 2.9%. PERSI's fixed income gained 12.2% compared to the US fixed income market's gain of 11.4% — an outperformance of .8%. And, PERSI's global equities lost only 7.6% compared to the general losses in the world equity market of -22.5% — an outperformance of almost 15%.

The past year also proved the wisdom of retaining a reserve. That 13% reserve absorbed nearly the entire market decline in the worst equity market in over a quarter century. If we hadn't had a reserve, our funding level would have dropped to the mid 80% level, and contribution rates and COLAs might have been affected.

As for results for last fiscal year, as stated earlier, in absolute terms they were ugly, while relatively our results were better than expected. The markets generally continued their schizophrenic nature.

All in all, it was a year to remember with mixed feelings. We all knew the good times would not go on forever, and they did not. But, given the bad markets, the portfolio reacted much better than I expected, and probably as well as or better than we could have hoped.

## PERSI Outperformed Markets & Expectations in Fiscal Year 2001



Last year, PERSI's portfolio outperformed all areas of the general markets, particularly in global equities where we outperformed the market by nearly 15%.

■ PERSI ■ General Markets ■ Outperformance